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LATE Testimony

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
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March 19, 2009

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: **S.B. 1344 – RELATING TO HEALTH CARE**

Hearing: Thursday, March 19, 2009, 9:30 A.M.
Conference Room 329, State Capitol

PURPOSE: The purpose of this bill is to require the Department of Human Services to include in its request for proposals for QUEST providers, various provisions to safeguard against disruption of services that may be caused by positive enrollment.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) strongly opposes this bill because it provides no value over current practice, differentially treats QUEST clients, and seeks to extinguish competition that improves quality of care for the clients and value for the taxpayers.

Positive enrollment is a 60-day period during which clients can select a health plan and occurs only when a new round of contracts have been awarded. During the last positive enrollment, 83% of clients selected a health plan. Those who do not select a health plan are automatically assigned to a health plan following the assignment algorithm published in the RFP

and incorporated into the contracts with the health plans. Those who are auto-assigned QUEST members are provided the opportunity to change their health plans during a transition period.

There is a 90-day transition period during which all QUEST members, those who chose their health plans and those who did not and were auto-assigned, will have an additional opportunity to select the health plan of their choosing without this bill limiting auto-assignment. This bill, therefore, adds no value to preserving client choice. Following the 60-day selection period, QUEST members are already allowed 90 days to change health plans, whether they chose their health plans or were assigned to a health plan. During this transition period, the new health plan will pay for care delivered by the patient's usual provider, even if the provider is not participating in the new health plan.

The bill proposes to place limits on the number of auto-assigned QUEST members who did not select a health plan during the enrollment period who can be auto-assigned. Under this bill, those auto-assigned would be a random sample up to only 5% of the total QUEST enrollment, so patients are treated differently based on whether they are selected for auto-assignment or not. We believe that patients should be treated equally and equitably. In addition, this bill's 5% cap on auto-assignment is tantamount to a 5% cap on competition which is not in the State's best interest.

Limiting the number who can be auto-assigned makes it difficult for a new health plan to enter the Medicaid program; because a new competitor often bids low to get the benefit of the auto-assigned QUEST members since they have no existing market share nor name recognition. Also, if an existing QUEST health plan decided not to continue or was not awarded the contract, all enrollees would need to be auto-assigned, not just 5%. Positive enrollment allows equity for when a health plan enters or leaves the Medicaid program.

It is important to note that this bill, as proposed, would only affect the existing QUEST program, not the new QUEST Expanded Access (QExA) program. Why is that? The answer is clear: the existing QUEST health plans do not want new health plans to enter the QUEST program, in other words, they want to keep competition out; however, since the existing QUEST

health plans may want to benefit themselves from positive enrollment when the QExA program is procured in the future, this bill is drafted to enable the existing Quest health plans to successfully compete for QExA.

Clearly, this Legislature is being manipulated by existing vested interests who care only about protecting themselves from competition as well as preserving and expanding their market share at the expense of the State's best interest in conducting fair competition to contain escalating health care costs. This bill is tantamount to Legislative market-share fixing which violates antitrust law. This bill will greatly escalate costs in our QUEST program by diminishing competition to benefit a few strong health plans at the State's expense.

The bill specifies that the State shall pay providers who give care to a member who "mistakenly goes to a previous plan's provider for an appointment." However, the health plan to which the member belongs is responsible for paying for care during the transition period whether the member goes to an "in-network" provider or to the provider of another health plan. This provision of the bill would actually cost the State much more than the current strong protection that ensures client access to care and continuity of care. The bill's provision the State would have paid for the care through the capitation rates to the health plans, but would need to pay again. Because of the duplicate paying, the State payment would have to be entirely State funded.

The process already used by DHS for the last two QUEST procurements substantially meets the goals of this bill, protects the transition of care for the QUEST members, treats members equally and equitably, and safeguards the State resources that support the Medicaid program. This bill is unnecessary and treats patients unfairly. It is a thin veil, masking the self-interest of the existing QUEST health plans against competition and the best interests of the State.

Thank you for this opportunity to testify.

Hawaii Pacific Health

55 Merchant Street • Honolulu, Hawaii 96813 • hawaiipacifichealth.org

Thursday – March 19, 2009
Conference Room 329
9:30am

LATE Testimony

The House Committee on Human Services
To: Representative John M. Mizuno, Chair and
Representative Tom Brower, Vice Chair

The House Committee on Health
To: Representative Ryan I. Yamane, Chair and
Representative Scott Y. Nishimoto, Vice Chair

From: Hilton Raethel
Vice President – Contracting & Decision Support

RE: Testimony in Support of SB 1344 with Amended Language

My name is Hilton Raethel, Vice President of Contracting and Decision Support for Hawaii Pacific Health which is the four-hospital system of Kapi'olani Medical Center for Women & Children, Kapi'olani Medical Center at Pali Momi, Straub Clinic & Hospital, and Wilcox Memorial Hospital. In addition, Hawaii Pacific Health employs approximately 300 physicians and operates 23 clinics and numerous outreach programs on the islands of Oahu, Lanai, and Kauai.

We are writing in support of Senate Bill 1344 which would require the Department of Human Services to include in its request for proposals for QUEST and QUEST Expanded Access providers, various provisions to safeguard against disruption of services that may be caused by positive enrollment. Additionally we would request that SB 1344 be amended to include language to ensure that prospective QUEST or QUEST Expanded Access plans have a viable and operable network of hospitals and providers of healthcare services in place prior to contracting with the State. This provision would provide significant assurances towards ensuring a smooth transition for positively enrolled QUEST and QUEST Expanded Access plan participants. Therefore, we would greatly appreciate that the following language be amended to SB 1344 concerning requirements for participating insurance entities:

"§346- Requirements for participating insurance entity. Within 90 days any insurance entity contracted by the state to provide Medicaid coverage shall enter into written contracts with a minimum of fifty percent of the hospitals and providers of healthcare services in the insurance entity's coverage areas. For purposes of this section a letter of intent shall not be deemed a written contract."

This provision would require Medicaid insurers to have written contracts with at least 50% of the hospitals and providers in the coverage area within 90 days of contracting with the State, thereby ensuring an operable network for recipients. Thank you for the opportunity to testify.