

**Testimony of Priority Health and the Michigan Association of Health Plans
to the House Subcommittee
on Department of Community Health Appropriations**

March 9, 2009

Good morning Chairman McDowell and members of the Subcommittee, my name is Leon Lamoreaux. I am the vice president of Government Programs for Priority Health and accountable for our firm's Medicare, Medicaid, and MICHild programs. I am here today representing, not only Priority Health, but the Michigan Association of Health Plans (MAHP).

Priority Health provides coverage for nearly 500,000 Michigan residents, 57,000 of which are Medicaid and MICHild members. MAHP represents 24 licensed HMOs and health plans in the State of Michigan, including Medicaid health plans that contract with the Medicaid program to deliver a comprehensive set of services for over 1,000,000 Medicaid beneficiaries.

Priority Health and MAHP's goal is to improve the health of all individuals and the communities we serve. Hard economic times have created a scenario of rapid growth in Michigan's "safety net" programs like Medicaid and MICHild. In January of 2009, Priority Health experienced a 2,000 member growth in our Medicaid membership; most of this growth was from individuals that had lost their jobs and were former members of our commercial insurance plans. Priority Health and the Michigan Association of Health Plans recognize the need to provide for the health and wellbeing of our communities most vulnerable citizens.

We fully appreciate the challenges in building the budget this year and therefore are most appreciative of the continued support recommended in the executive budget for the Medicaid managed care program. Continuing to invest in Medicaid managed care will continue to provide high quality care, improved health, and lower cost services for Michigan.

MAHP believes that the state can extend the value, already documented by managed care, through further expansion and/or the application of managed care principles with other Medicaid eligible population and programs administered by MDCH.

We support health care reforms that assure access for all to a high value system of care that provides outstanding patient experience. Health care should continue to reflect a public/private partnership that builds upon the employer-based system. A public/private partnership is the most affordable, practical, and politically acceptable way of achieving and ensuring that every American has access to affordable and effective coverage.

Coverage

Priority Health believes that all Americans should have health care coverage. Our vision is one of shared responsibility among individuals, employers, health plans, and government:

- individuals should be required to obtain coverage;
- employers should participate in financing care;
- health plans should issue affordable policies;

- consumers should be offered a choice of health plans and delivery systems that reflect local markets; and
- Government should provide subsidies for those who cannot afford coverage, strengthen current public programs, and set the ground rules for a reformed system.

Building on our current public/private partnership, the most promising approach to expanding coverage is the development of health insurance exchanges or “connectors” to facilitate access to a choice of health plans and delivery systems for individuals not covered by an employer or Medicaid/Medicare. Health plans should compete within this system based on quality, service, and cost-effectiveness, rather than avoidance of risk. Private plans, including local or regional plans, must be able to compete in a fair market, insurance reforms, exchange or connector rules, and other policies that are adopted as part of health care reform should be structured carefully so as not to diminish private sector plans’ ability to compete.

Delivery System and Payment Reforms

Health care reform should address affordability and quality as well as coverage. Both delivery system and payment reforms are critical to encourage improved health, prevention, and coordination of care to improve quality, affordability, and value. Priority Health is committed to taking actions that will promote more affordable care and coverage.

Payment reform and financial incentives are powerful tools that should be utilized to promote a patient centered health care system. Payment reforms should move the system toward greater coordination among providers and integrated delivery of care; evidence-based utilization of services and reductions in geographic variations in utilization; accountability for both quality and the cost of care generally and especially in the management of chronic disease; and addressing the current imbalance between primary and specialty care.

MAHP Key Recommendations

I want to reiterate some key recommendations that Dennis Smith made in his testimony:

1. The need to support managed care with a rate structure that complies with the Federal Actuarial Soundness requirements. This practice is now well established, and MAHP supports the executive budget recommendations for continuing to provide this assurance.
2. As the state undertakes the federally required rebid of the Medicaid managed care program (to begin this week), MAHP recommends that additional transparency regarding contract performance and oversight be incorporated into the state Medicaid contract. This will create more certainty of meeting performance measures and provider health plans with the ability to be more efficient in planning and meeting contract requirements.
3. The Michigan Association of Health Plans supports policy, waiver and contract changes that will enable additional Medicaid beneficiaries to be served by Medicaid Health Plans and will contribute further savings for Michigan and provide a medical home for more Medicaid beneficiaries.

Thank you for this opportunity to provide comments on this year's budget. We will be happy to respond to any questions you may have and to follow-up with you afterwards on any of the issues addressed in this testimony.

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