



Michigan Association of Health Plans

Senate Subcommittee on Department of Community Health Appropriations

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Testimony of Rick Murdock, Executive Director, Michigan Association of Health Plans

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The MAHP represents 19 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 1,100,000 Medicaid beneficiaries. I appreciate the opportunity to appear before you today and outline our comments related to the Proposed Physician Quality Assurance Assessment Program.

As you are very aware, the members of MAHP participate in a similar Medicaid financing assessment and have so since 2003. In many ways Michigan is at a crossroads in how our major safety net program will be shaped and financed. Decisions made now will affect the future services, benefits and access to key providers for years to come.

Major Issue to Resolve:

Implement significant reductions in Medicaid OR Implement dramatic changes in Provider Reimbursement

Without affirmative action by the Senate to head off the proposed reductions in provider reimbursement, we expect to see full year annualization of the provider reductions that were implemented in July. These reductions will have the impact of:

1. Further eroding the provider base in Michigan – without which cost-effective Medicaid services cannot be provided.
2. Increasing the utilization of the various emergency departments that are obligated under federal law to treat all persons who present themselves in the ED.
3. Increasing the uncompensated care costs that is related to the care in hospital emergency departments – costs that will increase the “hidden tax” that all payers absorb (estimated to be more than \$800/year for each individual purchaser of care).

Impact of Federal Reform

It is prudent to begin to anticipate some of the more sentinel changes that are likely to take place as result of federal health care reform. Both the U.S. House and Senate versions of reform address expansion of Medicaid to establish a national floor for eligibility. The only question is whether some a floor will bring eligibility as high as 150% of poverty (U.S. House Version) or less by the U.S. Senate. Regardless this change will bring as many as 500,000 more adults into the Medicaid program. Major expansion through eligibility changes without an adequate provider base will not provide access and may only exacerbate the uncompensated care problem and increase costs of all payers. A similar result will occur if state initiatives on reform are implemented and laid over the current provider base and reimbursement reduction proposals.

Options

The MAHP has consistently advocated for increased physician and other provider reimbursement in Medicaid accompanied with suggested policy or programmatic changes that can assist in redirecting resources. Today is no exception.

Unless the legislature and administration can agree on an alternative source of financing to restore and increase Medicaid provider reimbursement, **the proposed physician quality assurance assessment program passed by the House is the best option to pursue**. While flawed in its current form, we are confident that amendments can be adopted to address many of the concerns identified by different groups and MAHP would be happy to participate in workgroups to make such improvements in the proposal.

I do want to take a moment to indicate our industry's experience with the Department of Community Health on our QAAP has been remarkable. Both members of MAHP and our association have work closely with the Michigan Department of Community Health to make sure the implementation of the QAAP was consistent with the originating concepts and enabling legislation. Our QAAP was expanded to include mental health programs.

We recognize that there are no easy answers and that this proposal affects many more providers than other assessment programs currently in place. We believe that ongoing dialogue and workgroups charged with improving the proposal will lead us to a resolution that benefits Michigan's key safety net program--Medicaid.

Thank you for letting me offer these comments.