

Testimony of John Stephen, Founder and Managing Director of The Stephen Group, a business and government consulting agency. Former Commissioner, New Hampshire Department of Health and Human Services.

To Joint Standing Committee on Health and Human Services 131st Maine Legislature, First Regular Session

In Favor of LD 1334 –An Act to Establish a Managed Care Program for Mainecare Services

Delivered virtually on April 18, 2023

Honorable Senate Chair Joe Baldacci and Honorable House Chair Michelle Meyer and all other Honorable Members of the Joint Standing Committee on Health and Human Services Committee,

My name is John Stephen, Founder and Managing Director of The Stephen Group, a business and government consulting agency. I served as the Commissioner, New Hampshire Department of Health and Human Services from 2003 - 2007. My firm has provided consulting services since 2013 for many state agencies, including Maine, and we also provide strategic health care consulting for a Medicaid Managed Care company, AmeriHealth Caritas, who we represent today.

I offer my support for LD 1334, An Act to Establish a Managed Care Program for Mainecare Services. Managed care has been proven to improve access to care, control costs, and promote better health outcomes for Medicaid beneficiaries in 41 states including my home state of New Hampshire.

In 2011 New Hampshire passed legislation requiring mandatory enrollment in risk-based managed care for all Medicaid beneficiaries in the state. After a competitive RFP process, vendors were chosen and underwent readiness review to ensure network adequacy and readiness to operate. The managed care program started enrolling all Medicaid beneficiaries in December of 2013 and over time the expansion population was incorporated into the current full risk managed care program in 2017.

From my experience as Commissioner of Health and Human Services overseeing a Medicaid service delivery system in a state, and as a consulting organization assisting a number of states with Medicaid innovation and efficiency, it is my opinion that the Medicaid Managed Care delivery model is one that better coordinates care and ensures appropriate service utilization, which naturally produces a greater value for both the individual and taxpayers by more appropriately coordinating care for Medicaid members, more so than a state fee for service program. That is why most states have moved to a managed care system. Under the traditional fee-for-service Medicaid model, or “traditional Medicaid,” the state pays providers more based on the number of services they provide. Clearly the incentive here is to provide more services to yield more payment, but this doesn’t necessarily mean proper spending or effective service. It does not always mean better outcomes either.

Under a full risk capitated Medicaid managed care program, managed care organizations (MCOs), or “health plans,” are pre-paid a monthly per-member per-month rate, or “capitation payment,” to deliver

all services covered under the contract. Rates are inclusive of predicted medical and administrative costs, taxes, and fees. The state's actuary determines an acceptable rate range based on prior cost experience and medical cost trends, and the state negotiates final rates with each plan within the rate range. Rates are risk-adjusted to reflect the severity of enrollees' condition. Health plans keep any savings that are achieved through better care management and healthier outcomes and share these savings with the state through the rate-setting process that lowers the cost platform in the program. Conversely, health plans assume the risk of higher-than-expected costs, whereas the state assumes this risk now. This creates predictable program expenditures on behalf of the state, which other states have reported is one of the most favorable aspects of this model which realigns the incentives from delivering more services to delivering better care. Moving to a managed care program for Mainecare services will improve access to care, promote better health outcomes, and provide budget stability for taxpayers in Maine.

Currently, there are three managed care organizations in New Hampshire that are covering over 250,000 members for health care coverage. These include high cost populations such as high needs children in foster care and elders at risk of nursing home placements. New Hampshire is currently preparing for its next Request for Proposal in September 2023. The managed care experience in New Hampshire has worked and is focusing now on improvement of the delivery of health and well-being of Medicaid beneficiaries via a strong data driven process. In the most recent External Quality Review Technical Report (April 2023)¹ all three MCOs demonstrated strengths, with very strong compliance with the federal and State requirements, by achieving overall scores of 98.8 percent or higher. The New Hampshire Department of Health and Human Services has effectively transformed its Medicaid agency from one that was a payor of thousands of claims to managing the performance of three Medicaid Care Management contracts and ensuring cost and quality outcomes are met. The State of Maine should consider the New Hampshire experience as one to look at in considering this Bill.

Thank you for the opportunity to offer this testimony in favor of LD 1334 and I would be happy to answer any questions.

¹ External Quality Review Technical Report
<https://medicaidquality.nh.gov/sites/default/files/2022%20NH%20EQR%20Technical%20Report.pdf.pdf>