Illinois Health and Hospital Association

Statement of the
ILLINOIS HEALTH AND HOSPITAL ASSOCIATION

Thursday, March 9, 2017

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Chief Financial Officer
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Joint House Human Services Appropriations and Human Services Committees

The State of Illinois Medicaid Managed Care Organizations Request for Proposals

Room 114, Capitol Building
Springfield, IL

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Subject Matter: The State of Illinois Medicaid Managed Care Organizations
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Good morning. Thank you Chairman Harris, Chairwoman Gabel and Minority Spokesperson Bellock and members of the House Human Services Committee and House Appropriations-Human Services Committee. I am Ron Blaustein, Chief Financial Officer of Ann & Robert H. Lurie Children's Hospital of Chicago. I am here today to share Lurie Children's Hospital's experiences with Medicaid mandatory managed care and our perspective on the recent release of a Medicaid Managed Care Organization Request for Proposals (RFP).

Ann & Robert H. Lurie Children's Hospital of Chicago is the largest provider of pediatric specialty care in the region, serving children from every county and legislative district in Illinois. Lurie Children's serves more children than any other hospital in the State and provides more pediatric Medicaid services than any other hospital in the State. More than 50% percent of the beds in our hospital hold a child that is insured by Medicaid. Lurie Children's has a longstanding commitment to children insured by Medicaid and their families and we have been honored to care for them in partnership with the State.

Under the direction of the Illinois General Assembly, the State moved most children insured by Medicaid into managed care in a very rapid fashion. Many of the MCOs were not ready for this rapid development of infrastructure or process to manage the significant number of patients and related claims. This change had a significant impact on access to care for children, who make up almost half of all Medicaid recipients in Illinois.

We would like to thank the Illinois General Assembly, and in particular these two Committees, for your monitoring of this transition from fee for service to mandatory managed Medicaid. In the future, carefully tracking the Medicaid Managed Care program in a transparent fashion, the State, MCOs and providers will be able to expand on what works well and fix problems and unintended consequences so that patients receive the care they need in a timely fashion.

We appreciate that HFS has worked closely with us and with the payors to identify and address transitions issues faced by children and their families and to encourage the parties to work

together and agree with the comments made on behalf of IHA by Patrick Gallaher. We also appreciate that the RFP attempts to provide a more consistent format for the MCOs to articulate their unique capabilities. We are contracted with all but one of the smaller MCOs. We agree that narrowing the number of Medicaid health plans should make it easier to standardize processes.

I would like to provide a few examples of Medicaid managed care problems that require your attention and should be addressed in HFS' new MCO contract. HFS has recently received our complete written report of our MCO experience.

I. Network adequacy

The first is Network Adequacy. Since the transition to mandatory Medicaid managed care, a number of providers have dropped out of their Medicaid managed care contracts because of the administrative burden coupled with inadequate and delayed payment. We have seen the results of providers dropping out by virtue of increased wait times and volumes in key areas such as child and adolescent psychiatry and ophthalmology.

Our waitlist for outpatient psychiatric services went from 175 children in 2015 to 742 children in 2016. 85% of those children are covered by Medicaid.

In Ophthalmology, we saw a 15 percent increase in Medicaid referrals from 2015-2016 and wait times increased to four months.

II. **Inaccurate or inappropriate denials** –

The second problem we face is in inaccurate and in appropriate denials in three main areas.

A. Credentialing – for example a patient comes to us for routine care and their managed care plan informs us inaccurately that our physician is no longer on the list of allowed providers and that, therefore, care will not be reimbursed. In service of the patient, we will provide the care and attempt to work with the payor to clear up the error.

B. Prior Authorization – We understand the need for proper authorization of services, but we run into many circumstances when reimbursement for care is denied on the grounds of no prior authorization, when, in fact, none was required per their own provider manual.

C. System or Process Barriers - There are accounts that are being denied because MCO systems are unable to accept specific inpatient claims, do not recognize particular billing codes, or the system was not set up for the variety of Medicaid payment mechanisms and rules. Some payors continue to produce paper explanations of benefits that require manual translation and posting by hospital

staff when the industry has a standard electronic format that is universally accepted. In one situation we had over $2 million in claims denied by the same payor because the payor inaccurately assigned the claims to a physician instead of our hospital. The payor has recognized the error and is working to correct their systems, but has not paid those claims.

D. Timely Payment

Lurie Children's has cared for over 63,000 unique MCO patients and provided more than 170,000 visits totaling $208 million of net revenue for care of these children since June 2014.

75,000 MCO accounts are open in our accounts receivable; 74% of those accounts are over 90 days old and 35% are more than one year old.

60% of our bills to the MCOs have some type of payment discrepancy. 19% are in a denied status, many unjustifiably.

$50 M in accounts receivables are owed to us by the MCOs. $30 million of that is over 90 days old.

As Patrick Gallagher mentioned, we need guarantees that these accounts will be resolved prior to MCOs leaving the market.

Lurie Children's continues to meet regularly with the MCO's and our colleagues in the hospital industry as a member of the various IHA task forces to work through the challenges faced by the families, payors and providers in the mandatory Medicaid managed care environment.

Last fall in response to these ongoing challenges, Lurie Children's provided each MCO CEO with a letter of concern regarding current coverage, processing and payment issues. We identified issues brought to us by parents and our physicians regarding the inability to obtain the needed services for children. These letters prompted a few MCO's to increase their efforts, but for the most part the AR has only grown since then.

Lurie Children's has increased non-medical, administrative staff in every area that has interactions with the MCO population. Even with the additional staff, in our authorization area, for example, it is hard to obtain authorizations in a timely fashion, causing significant stress for families awaiting critical care. We have had to increase our billing/collections and pre-authorization staff by more than 60% from 25 full-time-equivalents (FTEs) to close to 40 FTEs, although we are still unable to keep up with the flood of incorrectly paid and/or denied accounts.

Recommendations:

We understand that the RFP has been set and that HFS may have minimal ability to respond to questions and make changes, but we believe that there needs to be adequate time to provide input to the contract with the payors as this will directly impact many of the issues we have raised.

Given Lurie Children's pediatric clinical expertise and our experience with Medicaid managed care over the last two years, we recommend the following regarding the MCO RFP and contracting process:

1) We understand that the state is moving to have a single vendor to sign up and identify physicians or providers covered by Medicaid. This will help. We also understand that HFS is trying to help standardize authorization processes and has provided a portal where providers can report their issues. This should help too. But, until these are in place and working well, we urge the State not to expand Medicaid managed care to new populations – especially the fragile children in SSI, DCFS and DCSS.

2) We understand that while the model contract sets forth a grievance and appeal process for disputes that enrollees may have with MCOs, the contract lacks any such process for providers having a dispute with MCOs. Any such dispute, it appears, would be subject to the grievance process, if any, that exists in the MCO's provider agreement. We urge that HFS modify the model contract and set forth a standardized grievance and appeal process that providers may pursue to settle disputes with MCOs in a timely and reasonable fashion.

3) There needs to be a mechanism to incentivize payors (monetarily and/or administratively) to create and maintain adequate networks, including real access for all children in every plan to primary care and children's specialty care.

4) The State should adopt quality measures for children with medical complexity that must be tracked in order to measure how they fare under managed care. The measures that are used in traditional managed care settings do not take into account the complexities of this population that is new to them. Lurie Children's has offered to HFS a number of specific recommendations about important quality measures.

5) We ask the General Assembly to require HFS to continue to develop and post on their website ongoing monitoring reports concerning quality and plan administration to address the issues above. Transparency will help all of us to provide better services to children.

6) It is critical that notices about changes to the individual MCO Provider Manuals and policy changes are communicated in a timely fashion.

7) MCOs should have the mechanisms and sufficient infrastructure in place to help providers address care and payment issues expeditiously, by providing on line portals with meaningful information to facilitate preauthorization and claims status.

On behalf of all of us at Lurie Children's, I would like to thank both committees for your leadership and for taking the time to hear and address these important issues. We look forward to serving as a resource to the General Assembly and the Administration to enhance child health and well-being and to provide care and support for children with medical complexity and their families.