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INTERHAB

January 23, 2012

TO: Vicki Schmidt, Chair, and
Members, Senate Public Health and Welfare Committee

FR: Matt Fletcher, Associate Director, InterHab

RE: Medicaid Managed Care and the Kansas I/DD Long-Term Care System

Chairwoman Schmidt and members of the Committee, thank you very much for the opportunity to speak to you today about the Administration's proposed managed care model known as "KanCare", and its impact on long-term care services for Kansans with developmental disabilities. The membership of InterHab provides services to, or arranges for the provision of services to, Kansans with intellectual and developmental disabilities in nearly every community in the state. Our member organizations worked hard, for decades, to develop community-based supports for children and adults with intellectual and developmental disabilities. These services developed organically, and were shaped by the identified needs of the communities they supported. Some now refer to these systems of localized and specialized supports for persons with I/DD in your communities as "silos". I think you know them better as examples of the most successful social services privatization effort in the history of the State of Kansas.

What you may not know is that, for nearly 50 years, the Kansas community-based system of supports for persons with I/DD has been considered as a national leader in delivering person-focused, quality-focused and economically efficient services. When many other states were just beginning to consider addressing institutionalized I/DD populations, Kansas was already on the move, closing its first institution and investing significantly in community-based programs. Your predecessors in the Kansas Legislature believed so strongly in these burgeoning community systems that they shifted primary responsibility for the care and well-being of the state's developmentally disabled population away from a century's focus on State-owned institutions to this network of private, non-profit organizations. But they didn't stop there. The Kansas I/DD service system continues today to be acknowledged as one of the most successful and high-quality service systems by providers in other states.

You really should be proud... very proud... of the heritage, quality and strength of the Kansas community-based DD service system.

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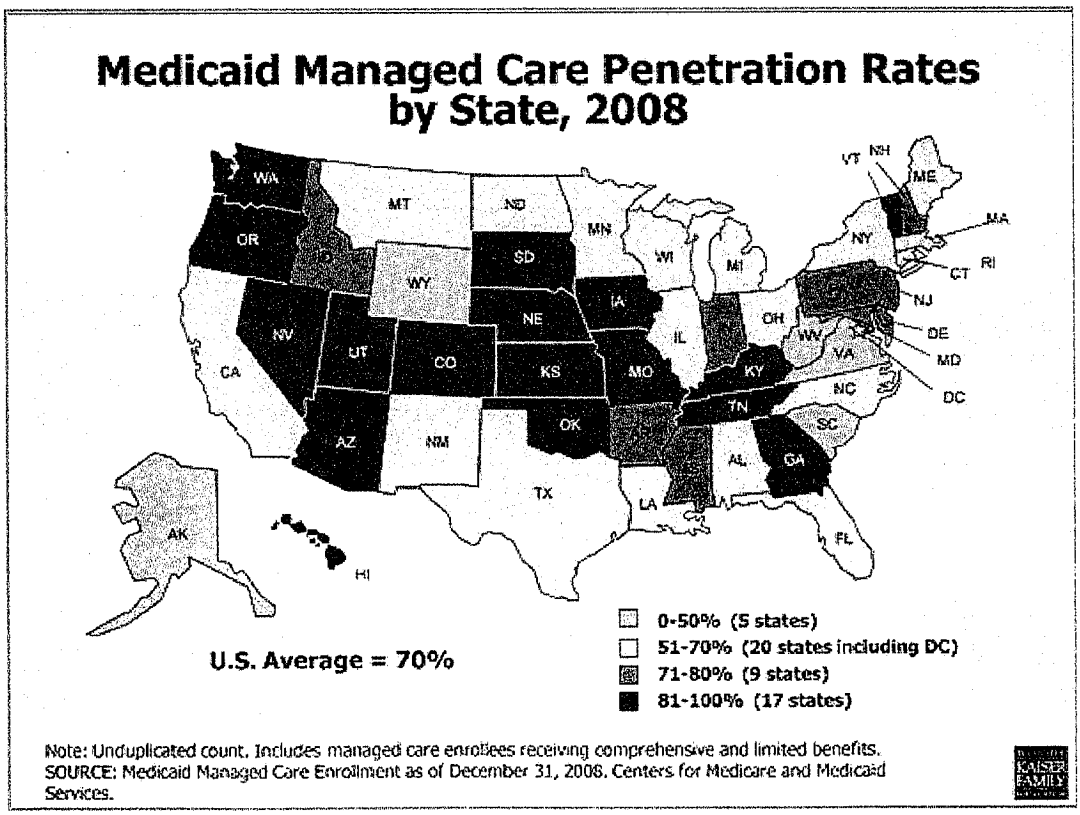
Medicaid Managed Care - Big to Small:

The Administration's proposed managed care approach to Medicaid in many ways follows what a number of other states have already done or are currently doing. However, their approach to the proposed inclusion of long-term care services for persons with intellectual and developmental disabilities **is very different**. Let's take a look at the national picture for Medicaid managed care, from big to small.

The Big:

Many states have already utilized some type of managed care approach to Medicaid. According to the Kaiser Commission on Medicaid and the Uninsured:

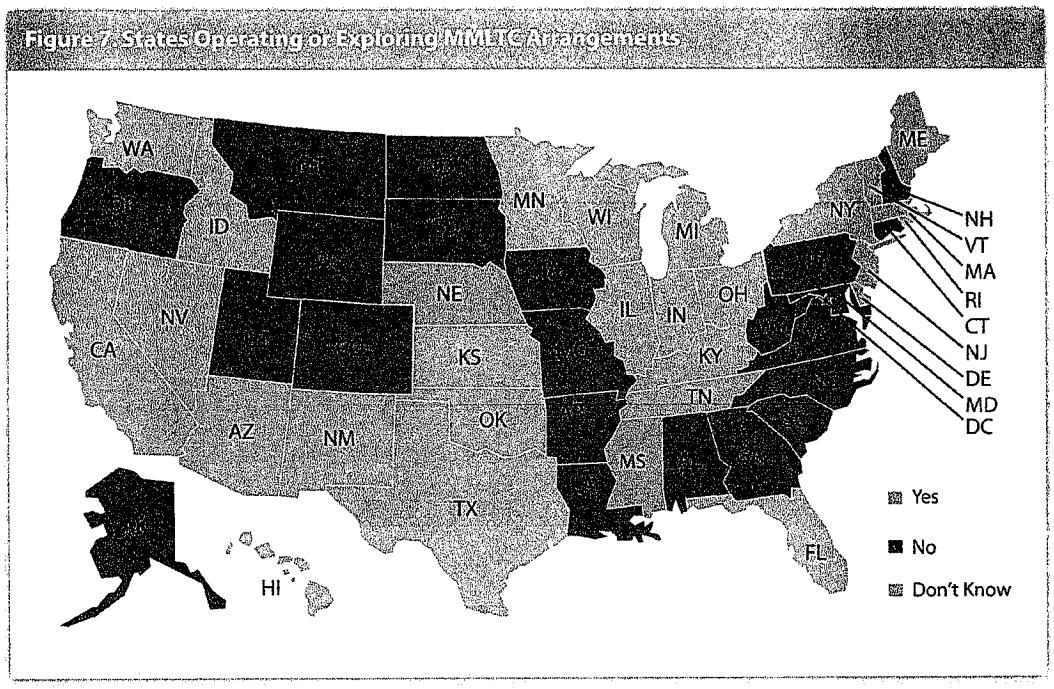
> *"All states except Alaska and Wyoming have some portion of their Medicaid population enrolled in managed care, and managed care is the dominant care delivery system in most state Medicaid programs. Forty-six states and DC have more than half their enrollees in managed care; in 20 of these states, over 80% of the Medicaid population is enrolled in some form of managed care."*



A majority of states have clearly chosen to incorporate some type of managed care approach to Medicaid. However, a vast majority of those impacted by Medicaid managed care are people who receive some type of **medical service** via Medicaid.

The Much Less Big:

In addition to application of managed care to Medicaid-based **medical services**, many states have begun to incorporate long-term care supports for some Medicaid populations in their managed care models. Those populations have included the aging, persons with physical disabilities and persons with significant and persistent mental illness. The National Association of States United for Aging and Disabilities, in its 2011 "State of the States Survey" illustrated the number of states that are incorporating, or considering incorporating, long--term care services - on any scale - in managed care.



It is important to note that this graph is very wide ranging; it includes any type of managed care approach to long-term care whether it be a pilot project, regional model or statewide plan. The graph also includes the widest possible array of long-term care services, including aging populations and all different types of disabilities. Still, only about half of states have chosen to implement – or consider implementing - managed care for the long-term care services of any of their disabled populations.

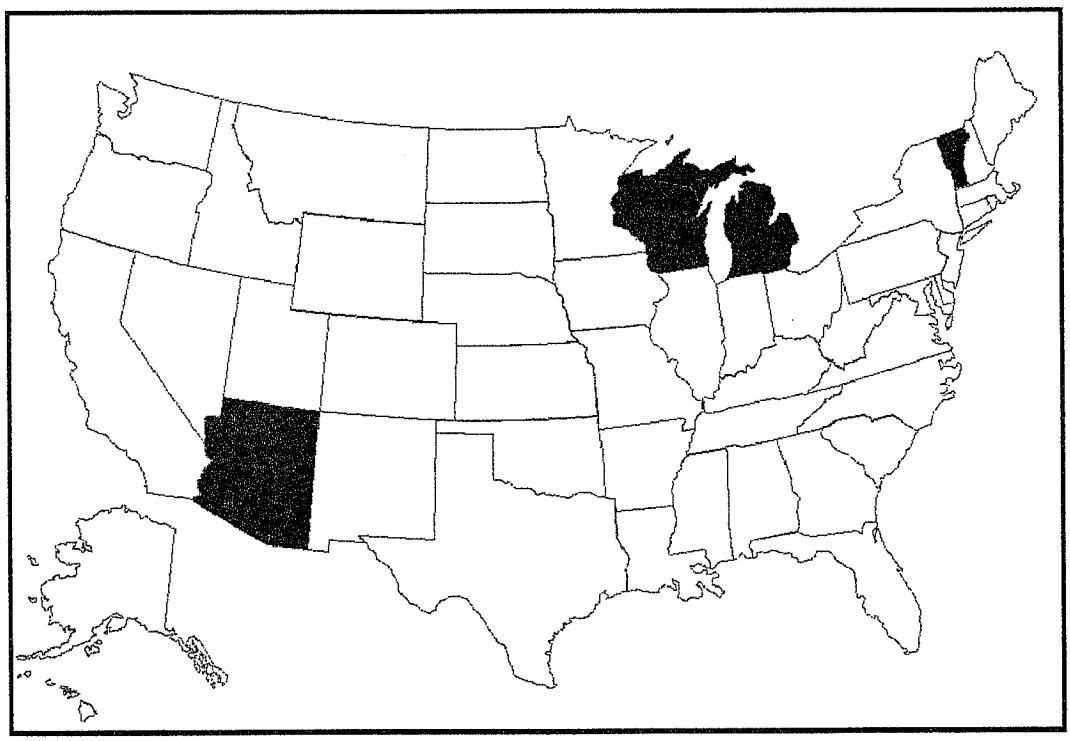
The Very, Very Small (Much, Much, Much Less Big):

With a clear trend of movement towards incorporation of managed care to Medicaid on a national level, one might expect that the same would be true of long-term care services for persons with developmental disabilities. In fact, the very opposite is true with a surprisingly small number of states having chosen that route. The National Association of State Directors of Developmental Disabilities Services has urged caution for any state considering inclusion of I/DD long-term care services in managed care:

> *"...the translation of managed care approaches to long-term developmental disabilities support systems is largely unchartered territory and, hence, extreme*

caution is warranted. There is no evidence that managed care models which have evolved in the health care field can be adapted successfully to the financing and delivery of long-term supports to people with developmental disabilities without significant modifications. Moreover, there are very fundamental, critical differences between furnishing health care and long term supports. Health care touches one aspect of an individual's life; long-term supports affect many different facets of community living for people with developmental disabilities. Furthermore, the conversion of long-term supports affect many different facets of community living for people with developmental disabilities. Furthermore, the conversion of long term supports systems to managed care can have enormous and irreversible implications for the individuals and their families who rely on these systems for essential services and supports."

Only four states have included long-term care services for persons with developmental disabilities in their managed care models (Arizona, Michigan, Wisconsin and Vermont).



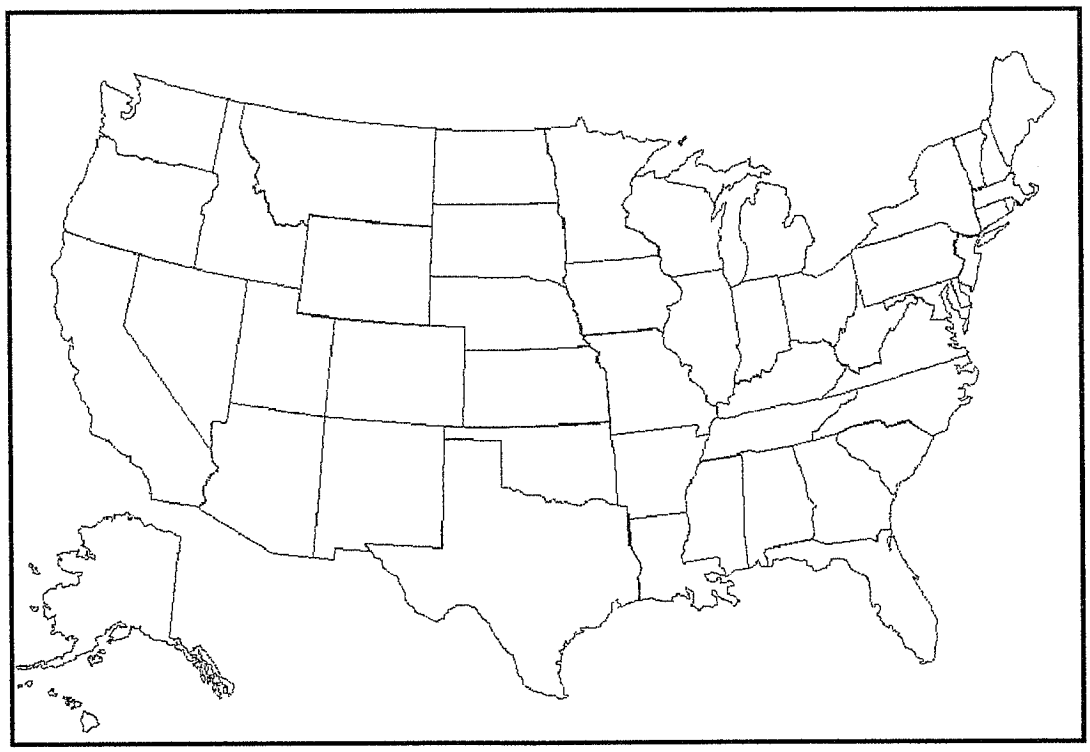
Further examination of those four states reveals a very different approach to the inclusion of DD long-term care in managed care than the KanCare model. Although each of the four states have chosen to incorporate DD long-term care services into their managed care models, each state has crafted unique models. Interesting aspects of these four states' approaches to DD long-term care managed care include:

- *HCBS services have been made an entitlement in three of the four states.*
- *Community-based providers of services and supports have been made the managed care organizations for I/DD long-term care services in two of the states.*

- *In Michigan, I/DD long-term care services are managed by Community Mental Health Services Programs, traditional county-based organizations that serve persons with MI, substance abuse and developmental disabilities.*
- *In Wisconsin, I/DD long-term care managed care has been a regional process, with non-profit organizations serving in a management capacity in several of the regions already implemented.*
- *In Wisconsin, implementation of managed care has been a region-by-region process, with up to three years or longer of planning conducted in the region where the implementation is scheduled.*
- *There are no managed care companies in Vermont's managed care program. The State's Medicaid agency entered into a managed care arrangement with the federal government to serve as the managed care organization.*

The Unobservable Infinitesimal:

The number of states that have attempted incorporation of DD long-term care services, in a manner similar to what is outlined in KanCare Include...



...none. Handing over control of an I/DD long-term care system to for-profit insurance companies in the manner proposed by KanCare has not been done before. Considering that the Kansas Legislature has embraced, shepherded, and protected development of this community-based system for so long, KanCare's proposed experiment with the Kansas I/DD long-term care system **must raise concern.**

Unknown Unknowns:

The Administration has stated that it intends to "be on the leading edge" on Medicaid managed care. However ambitious that may sound, it also acknowledges a lack of precedent. And with no applicable example to point to that would indicate KanCare's approach to DD long-term care services is a safe, sound and reasonable approach, the potential introduction of elements that may destabilize and ultimately harm this well-constructed and defined system must be considered a very real possibility.

Considering that Wisconsin began its process of including DD long-term care services into managed care in the late 1990's and still has not finished, does KanCare pass any reasonable test of prudency with a proposed **implementation** of statewide managed care barely **six months** after the awarding of contracts?

"Everything Must Go!":

It has been asserted that all services (medical and long-term care) for persons with intellectual and developmental disabilities must be included in KanCare in order to facilitate the kind of service integration that would provide most benefit. However, this assertion does not 'square' well with the fact that a vast majority states have implemented medical managed care for persons with intellectual and developmental disabilities without including their long-term care. The Administration has a multitude of models to study and emulate in providing medical care to Kansans with intellectual and developmental disabilities without needing to include their long-term care services.

It has also been asserted that all service systems should be included in KanCare in order to reduce "silos". The apparent reasoning behind this assertion is that, for some reason, the decades of development of a highly -specialized framework of supports for a population with a highly-complicated set of 24-hour-a-day care needs has led to inefficiency. In InterHab's previous testimony to this Committee, we shared information that points to the opposite being true. Administration of the DD long-term care system is about 3% of total dollars spent, and the University of Minnesota's longitudinal study of I/DD service costs across the nations shows that the cost per-person for care has gone down over the last two decades in Kansas, from $49,418 in 1993 to $41,936 per-year in 2009. Medical costs have gone down too. According to numbers received from the Kansas Legislative Research Department, during the years from 2008-2011 pharmaceutical spending has declined from $21.3 million to $18.5 million per year, hospital spending (inpatient and outpatient) from $9.3 million to $7.2 million, and physicians and clinics expenditures have declined from $3.9 million to $3.0 million.

Kansas farmers can attest to the multitude of steps that have to be taken to safely maintain different types of grains in silos. Highly-specialized service systems for people with complex sets of needs are no different. The Kansas I/DD system has been designed to provide the best possible services and supports utilizing the knowledge and expertise that is required to successfully meet the needs of this population.

Inevitability isn't Inevitable:

InterHab members have heard that some policymakers believe that, because the KanCare RFP has already been released, not much can be done to modify the proposal or change the fact that I/DD long-term care services are currently included. The fact is that changes can still be made at this stage of the process.

Consider that in other states where similar processes have been put in place, multiple changes were made once the RFP for managed care was issued. The KanCare RFP has already been amended five times.

It's Time to Apply the Brake:

The membership of InterHab strongly urges that the Kansas Legislature find a way to remove I/DD long-term care services from the Administration's Medicaid managed care proposal.

As we indicated in our first meeting with the Administration on this topic in February 2011, the membership of InterHab stands ready to work in partnership with the Administration and the Legislature in fully examining other state Medicaid managed care models and considering potential changes to the Kansas I/DD long-term care system that would improve outcomes for persons with developmental disabilities. However, KanCare, as currently designed, represents an unproven, untested and unwarranted gamble with the services and supports that thousands of our most vulnerable Kansans depend upon each and every day.

Thank you for the opportunity to appear before the Committee today. I would be happy to try and answer any questions the Committee might have.