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Testimony on:
Kansas Health Policy Authority Contracts

presented to:
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by:
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**Joint Committee on Health Policy Oversight
October 16, 10:00 am**

Kansas Health Policy Authority Contracts

Good morning Mr. Chairman and members of the Committee. Thank you for providing me with an opportunity to update you on recent contract changes at the Kansas Health Policy Authority.

The Chair of our Board, Ms. Connie Hubbell, outlined many of the initiatives we have undertaken in the past three months to work toward our long term goals of improving the health of Kansans. We are enthusiastic about the opportunities to embark on broad reform that increases health care quality, efficiency, and affordability but that also shifts the focus in health policy toward a broader view of health and wellness. As we look toward a bright future, we must also keep a steady focus on the present. In addition to the responsibility of setting a coordinated health policy agenda for the state, the KHPA is responsible for a number of important health programs that must be efficiently and effectively managed, including the Kansas Medicaid program. Today, I would like to briefly update you on some recent contract changes in our Medicaid and HealthWave programs.

Digital Healthcare Contract Termination – MMIS Third Party Liability Function Assessment

The Kansas Medicaid program pays for health insurance claims for eligible beneficiaries. However, according to federal law, if third party insurance (other insurance) is available, it is required to pay claims prior to any charges being billed to Medicaid. This saves money for the State Medicaid program, as well as ensures that other insurers are accurately and adequately paying claims for which they are responsible. This program is referred to as the Kansas Medicaid Third Party Liability (TPL) function.

Medicaid TPL is managed through our Medicaid Management Information System (MMIS) and works by identifying claims in which the beneficiary has third party (other) insurance coverage that should pay claims prior to payment by Medicaid. The MMIS function for TPL works through a combination of cost avoidance (claim denial) and cost recovery (post-payment billing to insurers). In other words, TPL helps the State to save money by avoiding paying claims that should rightfully be paid by other insurers. It also helps the State identify claims that have already been paid by the State that should have been paid by another insurer, thus prompting the recovery of those funds.

The TPL function provides capabilities for managing information on the private health insurance, Medicare, and other third party resources of Kansas' Medicaid beneficiaries. Other third party payers can include automobile insurance, homeowners insurance, settlements and workman's compensation. Under the existing system, this information is compared with a beneficiary's other insurance information before a claim is processed, and after claims have been paid.

The contract with Digital Healthcare provided for a pilot program to assess the effectiveness of our current TPL function managed by our primary TPL contractor, Health Management Systems (HMS), and report any missed opportunities. Digital Healthcare contracted to examine our paid claims file for July 2004 through June 2005. The aim was to discover additional opportunities for recovery of funds from third party entities.

The contract began June 1, 2006 and was set to expire June 30, 2007, but Kansas terminated the contract due to unresolved communication issues. Digital Healthcare was requested to correct or desist in the distribution of erroneous information which was reported to the KHPA by providers and others. KHPA communicated our concern about the erroneous information on July 14, 2006, and when these requests were ignored KHPA exercised its right to terminate the contract on September 15, 2006.

KHPA remains very interested in protecting the integrity of state funds and claims payment by monitoring the efficiency of its TPL function. As a result of the contract termination, in accordance with State procurement laws, the KHPA will put forth a Request for Proposals (RFP) for a similar assessment of the TPL function to be conducted in the future. As mentioned by our Chair Connie Hubbell earlier, the stewardship of public funds is one of our highest priorities.

Medicaid Managed Care Organization Contracts

As mentioned earlier, the Kansas Health Policy Authority (KHPA) is responsible for providing quality health care to low income Kansans. Kansas' Medicaid and HealthWave (State Children's Health Insurance) programs reach approximately 160,000 individuals. The Kansas Health Policy Authority takes seriously its statutory mission to ensure access to health care services for our beneficiaries and to be responsible stewards for the resources entrusted to us by the citizens and State of Kansas.

As many of you are aware, at the end of last month, the Kansas Health Policy Authority (KHPA) announced two new managed care providers for beneficiaries in the state Medicaid and S-CHIP programs (formally known as HealthWave Title XIX and Title XXI Managed Care Services). KHPA awarded a statewide contract to UniCare Health Plan of Kansas, Inc. and a contract for Northeastern (Region I) and Southeastern (Region II) Kansas to Children's Mercy Family Health Partners; these contracts will begin on January 1, 2007. By choosing these two vendors, it is anticipated that the state will save between \$10 and \$15 million annually.

KHPA was required by state procurement laws and federal law to conduct a competitive Request For Proposal (RFP) process in contracting for these new services. The RFP process was aimed at providing choices to our beneficiaries through competition that could provide quality health services cost-effectively. KHPA cited both affordability and technical proposals in its decision to award the new Managed Care Organization (MCO) contracts. The RFP process began in February of this year, when the Request for Proposal was issued by the then Division of Health Policy and Finance, and concluded in August. The timeframe for the transition was also set during the RFP process. Our legal obligation to engage in a competitive process and our commitment to provide the enhanced services possible through managed health plans brings us into this period of transition.

Since the awarding of the contracts various concerns have been raised regarding other payments the KHPA makes to providers. One example is the possible impact of the contract change on the Provider Assessment payments that are made to hospitals and the Health Care Access Improvement Fund. A thorough analysis was conducted by KHPA staff which determined that the Provider Assessment would not be affected by this contract change. KHPA provided the information to the Health Care Access Improvement Panel on September 18, 2006. Additionally, both Children's Mercy FHP and Unicare have committed to providers in writing to honor the state's fee-for-service rates, including the increments associated with the Health Care Access Improvement Fund.

In the time period shortly following the announcement of the contract awards, two other bidders, Centene/FirstGuard and Coventry Health Care, Inc. filed protests of the awards with the Division of Purchases

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within the Kansas Department of Administration. The different elements of the protests were reviewed by the Director of Purchasing, and the announcement that the original awards were officially upheld and reaffirmed was made on October 4, 2006.

A lawsuit for injunctive relief and appealing the contractual awards has also been filed against the Kansas Health Policy Authority by Centene/FirstGuard, and is currently pending in Shawnee County District Court.

The KHPA continues to move forward in order to meet the implementation date of January 1, 2007. We are encouraging providers who wish to serve Medicaid beneficiaries to contract with the new MCOs and are committed to an orderly transition from the present contractor to its successors. While this may be the first transition of its type under the auspices of the KHPA, we have an experienced team leading and managing the transition. In addition, we have asked individuals from several key stakeholders, including the Kansas Medical Society, the Kansas Hospital Association, the Kansas Medical Group Management Association, EDS (our Medicaid Management Information System contractor), and the Center for Medicare and Medicaid Services (CMS) to provide information to our transition team. In addition, we are working closely with the Kansas Department of Insurance and Commissioner Praeger to ensure as seamless a transition as possible, and have welcomed their assistance and guidance.

Recruitment of health care providers to contract with the new MCOs will be a priority over the next three months, and will be monitored closely by the Kansas Health Policy Authority. The MCO provider network is the key to ensuring that beneficiaries continue to receive needed health care. In the past weeks, KHPA staff and representatives from UniCare and Children's Mercy FHP have been working to answer provider questions on a timely basis. We continue to hear positive news from providers about vendor enrollment and are confident in our transition plans for January 1, 2007.

The KHPA also established a dedicated area on our website to provide a central easy access point to the most current and daily-updated information at www.khpa.ks.gov. Our goal is to provide all of our partners with information to ensure a smooth transition as we work together to deliver quality health care to Kansans, including Members of the Oversight Committee for the Health Policy Authority. We look forward to working with you on our programmatic responsibilities for Medicaid, as well as future opportunities to shift the focus in health policy toward a broader view of improved health status for Kansans.

That concludes my testimony and I would be pleased to answer questions.