

**Testimony of Harmony Healthcare  
Illinois Senate Committee on Deficit Reduction  
March 10, 2009**

**What areas of the state budget are you interested in protecting and why are those areas important?**

Harmony Health Plan of Illinois is interested in the protection and increased utilization of managed care in the Medicaid program. The Medicaid managed care program in Illinois serves over 145,000 Medicaid beneficiaries who have voluntarily chosen a managed care health plan as their healthcare delivery system of choice. Today, Illinois' Medicaid managed care program, provides quality, accessible and affordable healthcare to Medicaid eligibles.

**What revenue enhancements would you recommend be implemented to support those areas?**

Continued funding of HFS' Medical Programs Medicaid Managed Care & Managed Care Entities line item. We also recommend full funding of the Medicaid program to allow all providers to be paid on a 30 to 60-day payment cycle during and beyond the 27 month enhanced FMAP period.

**What reforms would you recommend in state-provided healthcare services to save taxpayers' money and improve access to services?**

**Cost Savings:** Expanded use of Medicaid managed care. Contractually, health plans are paid a capitated rate that is set at a 4% to 5% discount of fee-for-service costs. Managed care companies also assume 100% of the financial risk for the members they serve, providing Illinois' growing Medicaid program with cost predictability & administrative efficiency. Another cost savings mechanism that has been implemented in the Medicaid managed care program is 82% medical expense ratio guarantee; that is managed care companies must spend at least 82% of each dollar it receives from the State on health and medical services to ensure that health plans are spending an appropriate amount on healthcare. The savings potential for other State's utilizing managed care has been well documented, for example in Wisconsin, the State has seen a 9% savings over FFS; Michigan, even greater savings of 14% over FFS and in Missouri the story is the same with 11% savings over FFS.

**Access:** Harmony Health Plan's contracted provider network consists of 58 hospitals, 951 primary care physicians and 3,490 specialists. On average every Harmony member has immediate access to 35 acute care facilities, 15 trauma centers, 29 rehabilitation centers and 7 neonatal ICU level III centers. Harmony adheres to Geo-Access standards for network adequacy that guarantees our members timely and appropriate geographic access to contracted network of primary and specialty care providers.

Other value added access features include a 24/7 Nurse Line, compliance with strict appointment time standards as required by our contract with HFS and our local customer service center in Chicago staffed by 20 Illinoisans who are available to assist our members and providers.

Another major benefit to our providers is that through our contracted network of providers we are able to provide timely payment to through capitation arrangements that guarantee payment by the 10th of the month for services to be rendered in that month. Another feature is that 96% of submitted claims are paid in 10 days. This is very appealing to downstate, non-expedited and out-of-state Medicaid providers.

### **How can the state improve service delivery while reducing expenses?**

We believe an appropriate next step to continue reforming Illinois' Medicaid managed care program is to implement a Performance Based Auto Assignment program that assigns new Medicaid beneficiaries to high performing health plans based on their performance on quality, access and administrative measures determined by the State / HFS. This program provides an additional non-financial incentive to healthcare delivery systems to invest in the quality of care delivered to its members, continued improvement regarding access to care and sound medical management.

Putting this approach into practice in Illinois we believe will result in demonstrated success by:

- Improving the quality and continuity of care for individuals receiving the services;
- Controlling costs by increasing the number of members in mandatory managed care programs
- Achieving total program and administrative cost savings of at least 5% per year;
- Spending less than traditional fee-for-service Medicaid programs in other states.

### **What deficit reduction measures do you support?**

We believe that Illinois and this committee should consider utilizing more Medicaid managed care to reducing spending and contain costs in its Medicaid program.