



**WRITTEN TESTIMONY OF ROBERT FREEMAN
HOUSE ENERGY AND COMMERCE COMMITTEE
SUBCOMMITTEE ON HEALTH
WEDNESDAY, JUNE 24, 2009**

Thank you for this opportunity to provide testimony on the Draft Health Care Reform Legislation, released by the House Energy & Commerce Committee on June 19, 2009. I am Robert Freeman, Deputy CEO of CenCal Health, a County Organized Health System (COHS) that administers the Medicaid, Children's Health Insurance Program (CHIP), and other publicly-sponsored health care programs in Santa Barbara and San Luis Obispo Counties, California. I also represent the California Association of Health Insuring Organizations (CAHIO), the association of California's five (5) COHS plans.ⁱ

California operates the largest Medicaid program in the nation.ⁱⁱ Public plansⁱⁱⁱ, including COHS plans, serve 20% of this Medicaid program. In fact, California's public plans serve more beneficiaries than the Medicaid programs of 46 other states. COHS plans serve more beneficiaries than the Medicaid programs of 25 other states.^{iv} The success of COHS plans over 25 years in creating cost-effective delivery systems for vulnerable populations can inform this Committee. Moreover, our record of ensuring transparency to our communities can help Congress address the demands of American taxpayers for accountability from publicly funded programs.

My written testimony is divided into three (3) sections: (1) CAHIO's support for health care reform; (2) key accomplishments of the COHS plans that can guide the Committee; and (3) specific comments on the Draft Legislation.

I. CAHIO strongly supports health care reform.

CAHIO supports meaningful health care reform. Now is the time for health care reform. Health insurance premiums continue to rise at alarming rates; more and more individuals and businesses find health insurance too costly to afford; and the number of uninsured Americans continues to grow. As a result of these conditions, increasing health care costs represent a growing risk to American businesses and families. Further, local health care safety nets are under increased stress as they attempt to address the needs of American families.

CAHIO supports efforts to stabilize the Medicaid Program. California's public plans cover more Medicaid beneficiaries than the Medicaid programs of 46 states. As part of that system, COHS plans can serve as a model to expand coverage for new populations. Secondly, CAHIO applauds this Committee for recognizing the need to increase federal funding to expand and improve provider participation in the Medicaid program.

CAHIO believes the experience of existing public plans have had a positive impact in the delivery of health care in their communities. COHS plans have earned the trust of their communities by ensuring transparency in the delivery of health care services. COHS plans promote the accountability that Americans deserve and demand from publicly funded programs and institutions.

II. COHS accomplishments can guide this Committee.

COHS plans are critical to the nation's largest Medicaid program. COHS plans cover more Medicaid beneficiaries than the Medicaid programs of 25 states. As part of California's Medicaid managed care system, COHS plans:

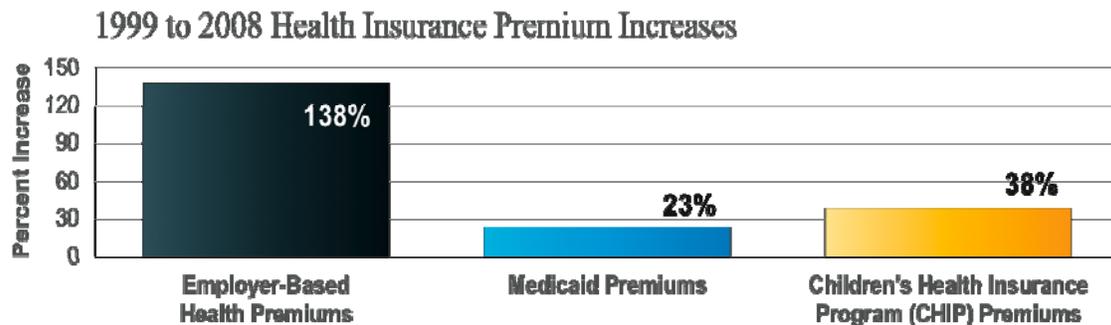
- Serve all populations, including dual eligibles (Medicaid and Medicare) and persons with disabilities
- Create meaningful provider networks that
 - Include traditional and safety net providers
 - Support creation of a 'medical home'
- Offer programs that their communities need
 - 4 COHS plans that offer CHIP:
 - Serve more CHIP beneficiaries than 33 states^v
 - Successfully compete with commercial insurance plans
 - Serve as the designated Community Provider Plans in their counties
 - Rated among the highest performing plans in quality
 - 3 COHS plans that offer Medicare Advantage Special Needs Plans (MA SNPs):
 - Serve 20,000 or 17% of the state's beneficiaries in MA SNPs
 - Serve more dual eligibles in MA SNPs than are served in MA SNPs in 34 States^{vi}

COHS plans promote transparency and accountability. Specifically:

- County Supervisors appoint COHS plan governing boards
- COHS Board meetings are open to the public
- COHS keep administrative costs low, the lowest in California^{vii}

COHS Plans are cost-effective:

- COHS plans save \$150 million in State General Fund Medicaid costs annually when compared to Medicaid fee-for-service (FFS).^{viii}
- Along with California's other public plans, they demonstrably restrain spending in public programs.^{ix} The following chart shows the dramatic impact of California's public plans in restraining health care spending



III. CAHIO offers the following preliminary comments on the Draft Legislation:

- A. CAHIO supports the Committee's approach. CAHIO applauds the Committee for its commitment to build on what works in the health care system and fix what is not working. CAHIO represents a proven model of delivering publicly funded health care programs that are responsive and accountable to local communities. We urge the Committee to build on this model.

- B. CAHIO supports the Committee's expansion and support for the Medicaid program. CAHIO supports the Committee's recommendation that the federal government fund increases in Medicaid payments for primary care physicians to 80% of Medicare rates in 2010, to 90% in 2011, and 100% in 2012 and thereafter. CAHIO strongly supports such increased support for the Medicaid program. CAHIO believes that the Medicaid program can serve as the basis for serving expanded populations effectively and efficiently and applauds Congress for appropriately funding this critical program.

- C. CAHIO supports vehicles to enhance clarity in the healthcare marketplace. CAHIO supports the concept of creating a vehicle to allow plans to serve expanded populations of Americans currently without health insurance. CAHIO believes that a health insurance exchange could promote clarity in the health care marketplace so that American families can better make informed choices. We applaud the Committee for requiring participating plans to explain their coverage in plain language so that American families can make better understand the benefits their plan covers, as well as the costs of such a plan. CAHIO plans have a long history of ensuring that our plan services are delivered in a culturally and linguistically accessible manner to our members.

Further, CAHIO recognizes the Committee's rationale for creating a public plan option that would compete with private insurers within a health insurance exchange. As a critical component of California's managed care delivery system, COHS plans can offer the Committee examples of how California's public plans have enhanced the delivery of publicly funded health care programs, including Medicaid, CHIP, and MA SNPs. For example, California's CHIP program allows for competition among all plans to deliver CHIP benefits to eligible families. Public and private plans compete on a level playing field for membership. They also compete for the "Community Provider Plan" designation, which the state awards to the plan that utilizes safety net providers to the greatest extent, and allows that plan to charge a reduced premium. This system has proven very effective over the last decade in promoting fair and effective competition between public and private health plans, giving the member a clear choice of health plans, and protecting the safety net.

- D. CAHIO supports the Committee's focus on ensuring the delivery of quality health care services to all Americans. Specifically, CAHIO supports payment mechanisms to promote better coordinated care by rewarding physicians that provide high quality care at reasonable costs to their patients. CAHIO strongly supports the creation of a medical home for members by promoting the role of primary care physicians and ensuring access to primary care providers. We have a long history of promoting coordinated care for vulnerable populations, and support mechanisms that will enhance such coordination.

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ⁱ Attachment A, COHS Plan Summary, as of April 2009

ⁱⁱ Attachment B, COHS Summary of California's Medicaid Managed Care Plans

ⁱⁱⁱ Public Plan is defined as a managed care program contracting in areas specified by the director for expansion of the Medi-Cal managed care program under California Welfare & Institutions Code, Section 14087.3(d)(1); or Sections 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, or 14087.96.

^{iv} Kaiser Family Foundation, State Health Facts, 2006 data for individual states (www.statehealthfacts.org)

^v Kaiser Family Foundation, Monthly CHIP Enrollment, June 2007, (<http://www.statehealthfacts.org/comparemaptable.jsp?ind=236&cat=4>), and Managed Risk Medical Insurance Board, HFP Monthly Enrollment by County by Health Plan, April 2009

^{vi} CMS SNP Comprehensive Report – May 2009,

(<http://www.cms.hhs.gov/MCRAAdvPartDEnrolData/SNP/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=2&sortOrder=descending&itemID=CMS1222662&intNumPerPage=10>)

^{vii} CMA 15th Annual Knox-Keene Health Plan Expenditures Report, June 2008 for Fiscal Year 2006-07

^{viii} An SOS for the COHS: Preserving County Organized Health Systems, Pacific Health Consulting Group, funded by the David Lucille Packard Foundation, 2004, (<http://www.pachealth.org/docs/PackardReport0504Final.pdf>)

^{ix} Kronick, Richard, Understanding the Slow Growth in Medi-Cal and Healthy Families Premiums, 1999-2009, (http://www.ucop.edu/cpac/documents/cpacfindings_kronick.pdf)

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COHS Plan Summary

as of April 2009

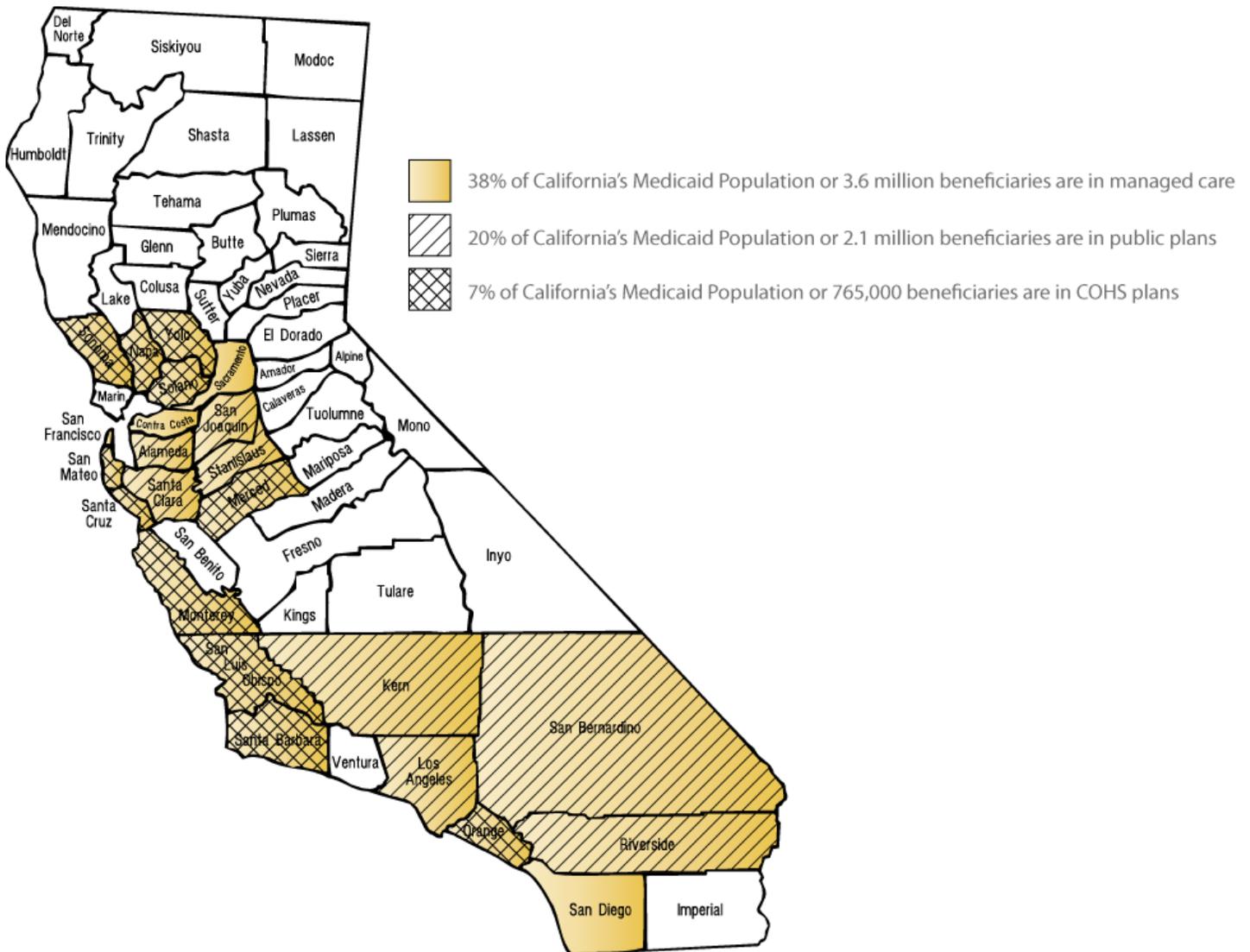
COHS Plan	Established	Counties	Medicaid Members	CHIP Members	MA SNP Members	Other Members
CalOptima	1995	Orange	329,000	33,000	8,800	1,100
CenCal Health	1983	Santa Barbara, San Luis Obispo	85,000	7,000	—	2,300
Central California Alliance for Health ¹	1996	Santa Cruz, Monterey, Merced*	160,000**	20,000	—	2,600
Health Plan of San Mateo	1987	San Mateo	49,500	6,300	7,400	21,900
Partnership HealthPlan of California	1994	Solano, Napa, Yolo, Sonoma*	142,000**	N/A	3,500	1,800
Totals	NA	11 Counties	765,500	66,300	19,700	29,700
Percent of State²	NA	19%	21%	7%	17%	NA
*Beginning 10/1/09					Totals membership served: 881,200	
**Includes new membership expected 10/1/09						

¹ Previously Central Coast Alliance for Health

² DHCS Managed Care Capitation Report - April 2009, (http://www.dhcs.ca.gov/dataandstats/reports/Documents/MMCD_Fin_Rpts/APR2009CapReport.pdf)

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COHS Summary of California's Medicaid Managed Care Plans



* As of 10/01/09, Merced County will join Central California Alliance for Health and Sonoma County will join Partnership HealthPlan of California