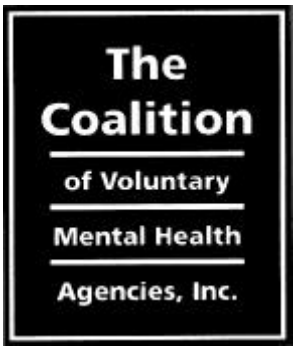
Testimony of



at

the Quarterly Hearing of

The Health Care Financing Administration (HCFA)

delivered by

Phillip A. Saperia
Executive Director

The Partnership Plan--Medicaid Managed Care in New York State

March 30, 2000

Good afternoon. My name is Phillip A. Saperia. I am the Executive Director of The Coalition of Voluntary Mental Health Agencies, Inc. The Coalition is New York City's advocacy organization representing a network of over 100 nonprofit community-based mental health agencies. Taken together, The Coalition's member agencies serve more than half a million clients and deliver the entire continuum of mental health care in practically every community and neighborhood of our very diverse New York City.

We thank you for holding this important hearing today on this crucial topic. I would like to focus my remarks today on New York State's Special Needs Plan. This is especially urgent since The State Office of Mental Health and the Department of Health have issued a conditional award to the Western Behavioral Consortium and are about to make a decision with respect to awards in Westchester and New York City.

The Coalition has closely followed the development of the Special Needs Plan (the "SNP") design. In the early stages of its evolution, The Coalition was a significant player in policy discussions with the State and other stakeholders that resulted in the SNP concept in New York State. Many of The Coalition's members are stakeholders and participants in entities which have responded to the State's Request for Proposals ("RFP") as bidders and potential SNP operators.

Throughout the planning and development process, The Coalition's members frequently and consistently have voiced concerns about the design of the SNP, its rate methodologies and its mandated benefit. Our internal review of the RFP reinforced those initial concerns and prompted us to engage an independent consultant. We hired Norman Brier, the former Director of the SOMH Bureau of

Strategic Planning and Financial Services at SOMH. He was asked to:
1) objectively review and analyze the program design,
2) analyze the financing model, and
3) determine whether the SNP model can successfully be implemented in accordance with the Request for Proposals extended by the Office of Mental Health ("SOMH") and the Department of Health ("DOH").

Although The Coalition has supported a carve-out concept for seriously and persistently mentally ill adults and acknowledged the potential conceptual potency of the SNP model, The Coalition's analysis of the RFP, buttressed by our consultant's report, has repositioned us. We now have determined that the design under which the SNP is to be implemented contains serious flaws as well as significant economic shortfalls and, therefore, the SNP will not succeed in addressing or effectuating its contemplated goals in its present form. **Such an eventuality would degrade the quality of mental health care for needy and vulnerable consumers and threaten the viability of the public system of community behavioral health care**.

Our consultant conducted a series of interviews with policy makers and practitioners in New York State and in other locales, analyzed the rate methodology described in Appendix D of the RFP, reviewed the RFP and the benefit design. The consultant also reviewed the experiences of other states attempting to implement managed care models. His analysis supports the conclusions of The Coalition, that without serious changes in design, the SNP is doomed to failure. He demonstrates that the design of the SNP, based on a managed care model that does not include adequate funding to provide the comprehensive mental health services it mandates, will result in an inattentive and

non-responsive care system that will fail to deliver the quality care it mandates and most probably will bankrupt the current care delivery system.

Specifically, the analysis confirms our initial fears that the Special Needs Plan as currently conceived:

- Employs a flawed rate methodology that fails to capitalize upon the available pool of funds under the Partnership Plan agreement with HCFA and therefore will seriously under fund the Special Needs Plan, effectively preventing it from accomplishing the expanded service array required by the SNP;

- Sets out an unlimited benefits package that requires the delivery of services not previously paid for under the Medicaid fee-for-service configuration and creates a system of virtual benefits on demand;

- Imposes a regulatory overlay on an insurance model that is rigid and robs the SNP of the flexibility it requires to manage care, e.g. requirements concerning the care coordinator and its case load mandates, excessive requirements for information reporting and requirements for non-Medicaid services.

Based on the analysis of our consultant, we offer the following recommendations for change:

1. SOMH should utilize a “floor”of monthly expenditures during the rate “base” period to establish some continuing responsibility for SNP enrollees who have fluctuating but continuing needs;

2. The State should adequately fund “start up’ and new “service development” costs. The identified pool of “start up” funds is inadequate. Furthermore, these funds should be distributed in a manner that will incentivize and track the pace of enrollment and consequent demand for new capacity in support and rehabilitative services;

3. The selection bias adjustment should exclude certain persons such as homeless persons with serious mental illness, State and City prisoner discharges with serious mental illness and individuals whose inpatient service experience in the “roster period” included stay(s) in OMH operated facilities and/or were enrollees in OMH’s PMHP plan. These populations have historically been under served or served outside the Medicaid system, despite their high needs;

4. OMH inpatient care should not be excluded from the rate calculation;

5. OMH ambulatory service use should be included in the rate calculation;

6. Taking into account the episodic nature of mental illness and its ebbs and flows of intensity, the “regression to the mean” adjustment should be reevaluated; and

7. Before the SNP contracts are signed, the cost to the SNP for CSP services already used by SNP enrollees should be resolved.

The Coalition urges HCFA to press upon the State Office of Mental Health the urgency of our concerns and urge them to modify the design of the Special Needs

Plan so that the model ultimately utilized in New York State is appropriately funded and managed to adequately support the delivery of the contemplated mental health services.

Thank you very much for the opportunity to make our case before you today. The very future of the community based mental health care delivery system in New York is at stake. We look to your leadership to see that the mental health safety net is not torn asunder.