



**House Appropriations Committee – Subcommittee on Article II
Texas Health and Human Services Commission
Managed Care Organization Performance and Accountability**

March 4, 2021

Written Testimony of:
Texas Medical Association
Texas Academy of Family Physicians
Texas Pediatric Society
American College of Physicians Services – Texas Chapter
American College of Obstetricians and Gynecologists – District XI (Texas)
Texas Association of Obstetricians and Gynecologists

Thank you for the opportunity to comment on Texas Health and Human Services’ Medicaid Managed Care Organization Performance and Accountability.

We support improving Medicaid managed care procurement and oversight while also safeguarding patient and physician choice, value-based care and delivery system innovation. However, Rider 22, as worded, raises serious concerns.

For our organizations’ part, we brook no opposition to efforts that improve MCO transparency, accountability and effectiveness. Our organizations have worked closely with lawmakers and HHSC over the past decade to devise policies to do just that, including legislation and contractual policies that reward and promote MCOs that achieve better quality, health outcomes and lower costs.

Over the past several months, an escalating debate about the adequacy, effectiveness and transparency of HHSC’s Medicaid managed care organization (MCO) procurement process has filled lawmakers’ email boxes. On one side, a health plan argues for a fundamental overhaul of the system while on the other, the two health plan associations support continuation of existing policies, with some refinements.

Rider 22 articulates a wholesale change in the MCO procurement process. While there are elements of the rider with which we agree, it also raises concerns about unintended consequences. First and foremost, the rider appears to make cost-effectiveness of utmost importance, without considering other essential goals, such as patient *and* physician/provider satisfaction, delivery system innovation, and performance on health quality measures. The rider also wrongly assumes that poor financial performance is always a sign of poor MCO management versus inaccurate actuarial assumptions. After the implementation of STAR Kids, an MCO model designed to serve medically fragile children and children with disabilities, several plans lost money, mostly attributable to deficient actuarial assumptions regarding the costs to care for children with highly complex medical and long-term care needs.

With 94% of Medicaid patients enrolled in an MCO, MCO performance impacts not just the health of four million Texans and the state's bottom line but also the viability of Medicaid participating physician practices. At lawmakers' direction, Texas Medicaid requires Medicaid MCOs to advance value-based payment (VBP) initiatives that provide incentives for physicians, community clinics, and other providers to improve care while lowering costs. Unlike Medicaid fee-for-service, MCO VBP arrangements allow plans to reward physicians that achieve certain quality and performance, either by enhancing payments, eliminating Medicaid red tape or both. These initiatives are by no means perfect, and do not solve Medicaid physician payment challenges as outlined in our testimony above, but they do provide a path forward to build a better Medicaid program for patients, physicians, and the state.

As written, rider 22 could inadvertently undermine the move towards VBP. For example, the rider's proposed financial penalties, such as changes to the MCO risk corridors, could jeopardize plans' ability to sustain or expand VBP to more physicians. Additionally, the rider's focus on "efficiency" may result in HHSC favoring larger health plans over community-based ones. Yet, it is competition among for-profit and community-based plans that generate the innovation necessary to make Medicaid better.

Senate Bill 1, Rider 21 language will advance the state's efforts to improve MCO accountability and oversight without raising the concerns outlined above. Thus, in lieu of Rider 22, we recommend adoption of Senate Bill 1, Rider 21, with amendments, including revising Rider 21 to ensure the MCO procurement process incorporates an evaluation of the MCO's burden reduction for participating physicians/providers, patient and provider satisfaction, and delivery system innovation.

We look forward to working with you to ensure Texas Medicaid's MCO procurement process achieves our mutual goals of better MCO oversight and accountability without losing the ability for Texas Medicaid to innovate.